

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE  
CHAIRMAN

3 BOB STUMP  
COMMISSIONER

4 SANDRA D. KENNEDY  
COMMISSIONER

5 PAUL NEWMAN  
COMMISSIONER

6 BRENDA BURNS  
COMMISSIONER

7  
8 IN THE MATTER OF THE APPLICATION OF  
9 SOUTHWEST GAS CORPORATION FOR  
10 THE ESTABLISHMENT OF JUST AND  
11 REASONABLE RATES AND CHARGES  
12 DESIGNED TO REALIZE A REASONABLE  
13 RATE OF RETURN ON THE FAIR VALUE  
14 OF ITS PROPERTIES THROUGHOUT  
15 ARIZONA

Docket No. G-01551A-10-0458

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13 **COMMENTS OF**  
14 **RESIDENTIAL UTILITY CONSUMER OFFICE (“RUCO”)**  
15 **IN RESPONSE TO THE STAFF MEMORANDUM AND PROPOSED ORDER**

16 RUCO submits comments in reference to the Staff Report and Proposed Order in the  
17 above-referenced Southwest Gas Energy Efficiency Implementation Plan. RUCO has three  
18 concerns regarding the proposed Order and Staff Report.

19 **1. The Staff Report recommends approval of three (3) plans that ARE NOT cost**  
20 **effective.**

21 RUCO asks the Commission to reject EE programs that are not cost effective as such  
22 programs are contrary to the Commission’s goals and objectives (R14-2-2503(a) and are  
23 contrary to the assurance that the program’s incremental benefits exceed their incremental  
24 costs (R14-2-2512(a). Commission Rule directs Staff to apply the “Societal Cost Test” to

1 determine whether a program is cost effective (R14-2-2512). A program meets the *minimum*  
2 *threshold* for cost effectiveness by achieving a benefit-cost ratio of 1.0.

3 The Staff Report justifies approval of the 3 programs because they “are very close to  
4 the level required for cost-effectiveness.”<sup>1</sup> The Report also considers that “avoided  
5 environmental costs” make approval of the three programs appropriate. RUCO notes that the  
6 Societal Cost Test already takes into account “avoided environmental costs”. Commission  
7 Rule defines Societal Cost Test as:

8 “a cost effectiveness test of the net benefits of DSM programs that  
9 starts with the Total Resource Cost Test, *but includes non-market*  
10 *benefits and costs to society.*” (R14-2-2401(36))

11 If approved, customers will pay for these programs through the DSMAC. It is unfair for  
12 customers to pay for programs that do not even meet the bare minimum requirement for cost  
13 effectiveness.

14 **2. The Staff Report and the Order omit material information that, pursuant to the**  
15 **terms of the proposed Settlement Agreement, Southwest Gas has an Application**  
16 **pending before the Commission seeking approval for \$16.5 million to be collected**  
17 **from the DSM adjuster. (Docket No. G-01551A-11-0344)**

18 While this proposed Order increases revenues collected from the DSMAC from \$4.4  
19 million to \$8.4 million, there is no mention of Southwest Gas’s *pending* Application to increase  
20 revenues even further to \$16.5 million and that the Application is a result of the energy  
21 efficiency commitments in the proposed Settlement Agreement for Southwest Gas’s rate case.

22 The proposed Settlement Agreement obligates all signatories to the Agreement to  
23 defend all provisions of the Agreement. (Settlement Agreement 8.8)

24 \_\_\_\_\_  
<sup>1</sup> The 3 programs are: (1) tankless water heater (0.94), (2) attic insulation (0.97), and (3) typical low-income energy conservation project (0.98)

1 The Settlement Agreement commits Southwest Gas to achieving (and the signatories to  
2 supporting) specified energy efficiency goals even if the Commission amends the Energy  
3 Efficiency Rules (5.11).

4  
5 “In order to increase the customer annual energy savings that are  
6 being agreed to as part of this Agreement, Southwest Gas shall file  
7 in a new docket within 60 days of filing this Agreement a new and  
8 revised EE and RET Implementation Plan ...setting forth a plan for  
9 how it proposes to comply with the energy savings goals set forth  
10 therein. The new and revised EE and RET Implementation Plan  
11 will be incremental to the modified EE and RET Plan measures that  
12 are being committed to by Southwest Gas as part of this  
13 Agreement.” (5.10)

14 On September 12, 2011, Southwest Gas filed a new Application. “Pursuant to the terms  
15 and conditions of the Settlement Agreement, Southwest Gas hereby requests approval of its  
16 EE and RET Plan a copy of which is attached here to as Exhibit A. The EE and RET Plan  
17 consists of ten programs with an estimated budget of \$16.5 million that are designed to  
18 achieve approximately 3,597,767 therms or therm equivalents in energy savings during the  
19 first 12-months following Commission approval of this application.

20 If approved, customers’ DSMAC rate would increase from \$0.00200 to \$0.02673.

21 RUCO believes the Commission should understand the full extent of the energy  
22 efficiency commitments of the Settlement Agreement and that this proposed Order which  
23 doubles DSMAC revenues is only the first half of the overall commitment for \$16.5 million from  
24 ratepayers.

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- 3. The proposed Order fails to provide information on what the new DSM adjuster rate will be if the Plan is approved and how this increase will impact the average residential customer.**

1 The current DSM adjuster collects approximately \$4.4 million per year from ratepayers.  
2 The proposed Order would increase this amount to \$8.4 million. However, the Order does not  
3 include information on how the DSM rate would increase in order to collect the additional  
4 revenue or how this increase would impact the average residential ratepayer.

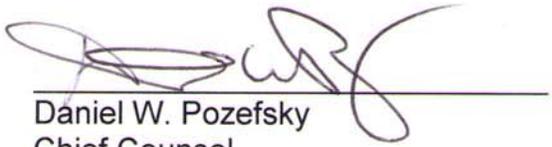
5 On Friday, December 9, 2011, Southwest Gas filed Comments which included this  
6 information. If approved, the DSM adjuster would increase from \$0.00200 to \$0.01417 per  
7 therm and increase the average residential bill by \$0.35. Upon Staff verification of this  
8 information, RUCO respectfully asks that it be added to the proposed Order.

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10 RESPECTFULLY SUBMITTED this 12<sup>th</sup> day of December, 2011.

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Daniel W. Pozefsky  
Chief Counsel

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14 AN ORIGINAL AND THIRTEEN COPIES  
15 of the foregoing filed this 12<sup>th</sup> day  
16 of December, 2011 with:

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18 Arizona Corporation Commission  
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21 COPIES of the foregoing hand delivered/  
22 emailed this 12<sup>th</sup> day of December, 2011 to:

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